



The President's Daily Brief

November 11, 1974

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~~Top Secret~~

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FOR THE PRESIDENT ONLY

November 11, 1974

Table of Contents

Japan: Tanaka's position precarious. (Page 1)

25X1

France: [redacted] (Page 2)

25X1

Palestine Liberation Organization: [redacted]
(Page 4)

25X1

Israel: New economic measures. (Page 5)

25X1

USSR: Soviets speeding up construction of new rail-
road in Siberia. (Page 6)

Notes: Syria; France-PLO; Portugal-NATO; USSR-Cuba;
Argentina; Vietnam (Pages 7 and 8)

Annex: [redacted]

25X1

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JAPAN

In face of the rising political controversy threatening his administration, Prime Minister Tanaka told a press conference today that he would not step down before your visit takes place. Tanaka also announced, as expected, that he will shuffle his cabinet before then.

Voter dissatisfaction with Japan's rising inflation has eroded the Prime Minister's support. Last month his position took a further turn for the worse with the publication of charges that he has benefited from questionable dealings in government real estate.

In answer to these charges, Tanaka said today that he regretted that his conduct had aroused public suspicions, but insisted that he had "never violated the laws."

Calls for Tanaka's resignation have increased since the release of the corruption charges, [redacted]

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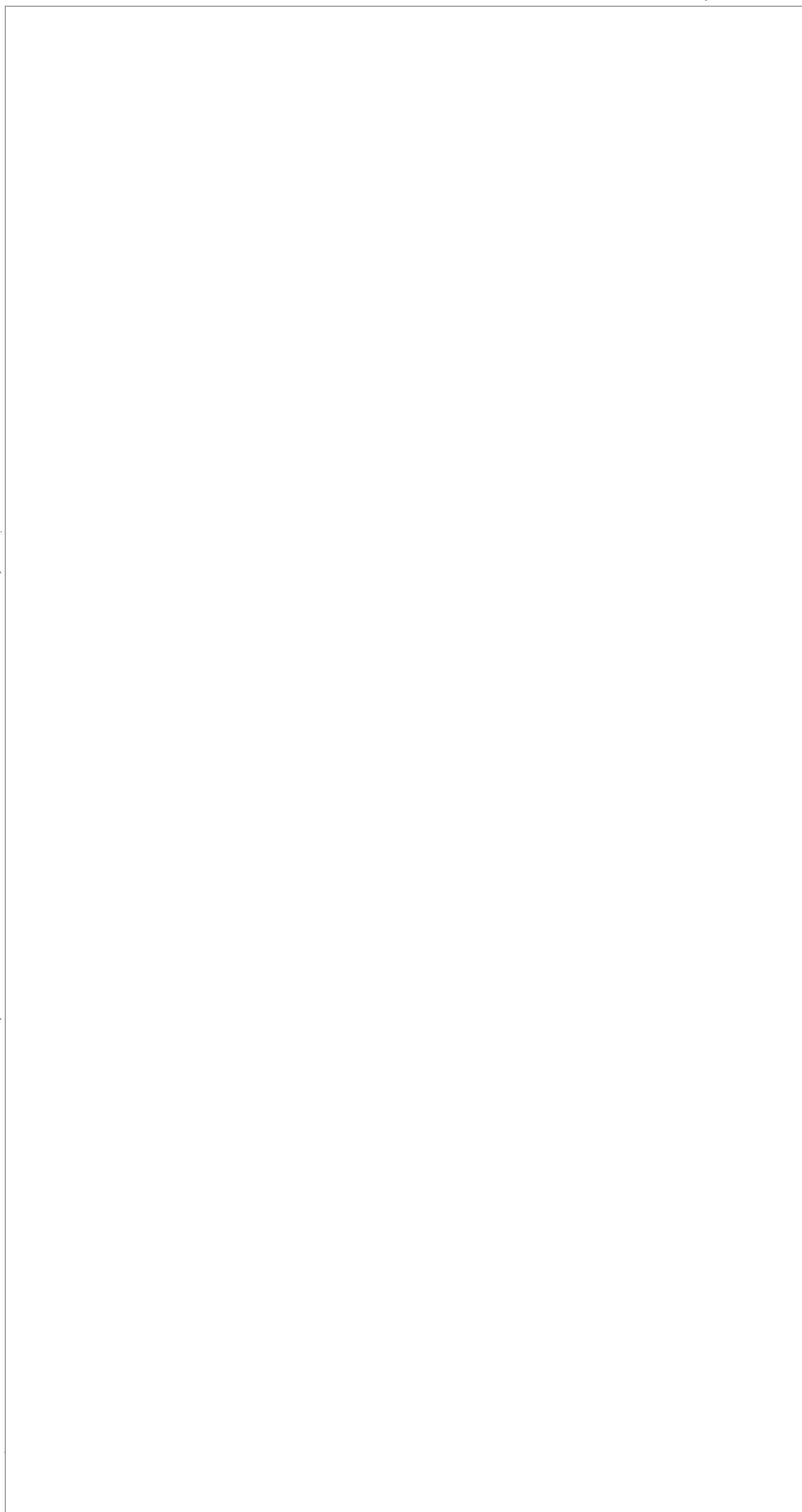
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Tanaka may try to maintain the current balance of power within the cabinet as he makes his changes. Early press reports suggest that he is likely to reward his chief factional backers--Finance Minister Ohira and International Trade and Industry Minister Nakasone--with extended terms. The transfer earlier today of chief cabinet secretary Nikaido, a trusted adviser, to the sensitive post of secretary general of the Liberal Democratic Party indicates Tanaka's determination to maintain control of the party.

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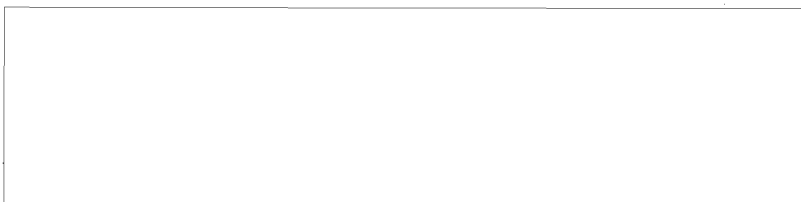
PALESTINE LIBERATION
ORGANIZATION

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PLO Chairman Yasir
Arafat 

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In a separate interview published in the Cairo newspaper Al-Ahram on Friday, Arafat spoke twice of "disengagement" on the West Bank. Asked if he would refuse a disengagement agreement offered to Jordan by Israel, Arafat replied that the Palestinians are prepared to give Egyptian War Minister Ismail a "mandate"--presumably to negotiate such an agreement--in his capacity as commander of all Arab military forces. At another point, Arafat said the establishment of a Palestinian government in exile must be put off until the benefits of a government would outweigh its "burdens." He added that such a government would be set up immediately, however, if this became necessary as a condition for disengagement and acquiring land.

With regard to a government in exile, Arafat has said previously that such will be formed only "when conditions are suitable." Among the obstacles is disagreement within the PLO on how to divide responsibility in such a government, something Arafat may have had in mind when he spoke of "burdens."

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ISRAEL

The Israeli cabinet yesterday announced a series of economic measures highlighted by a 43 percent devaluation of the pound. The new measures are the latest in a series of steps designed to reduce the country's staggering trade deficit and preserve foreign exchange reserves.

The measures include:

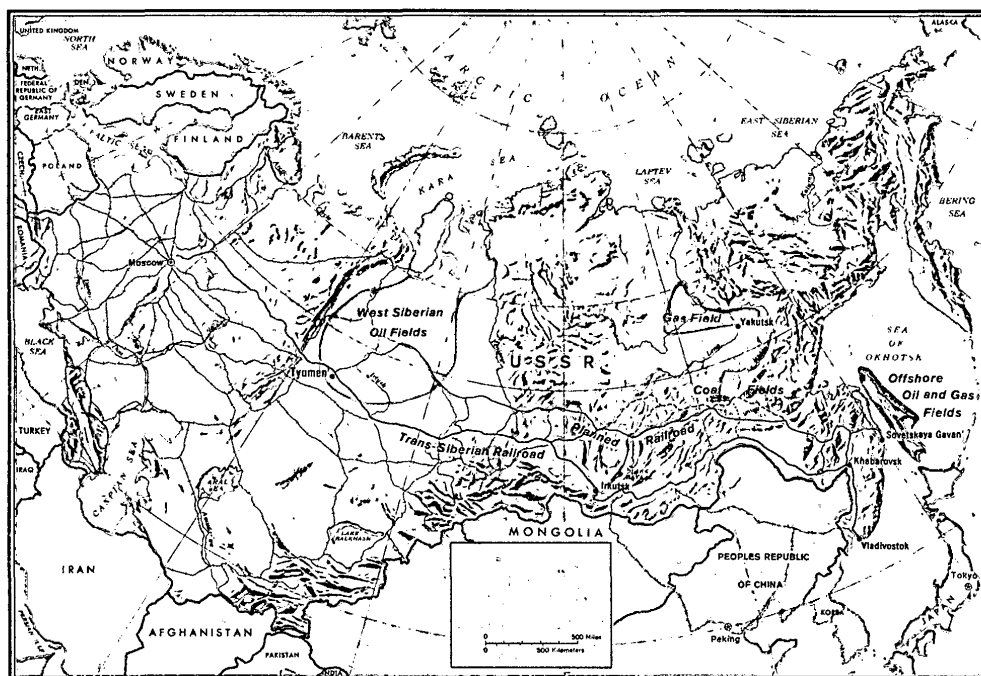
- an immediate devaluation of the pound from 4.2 to 6 per US dollar;
- a six month prohibition on imports of certain luxury goods including autos;
- an increase in the foreign travel tax.

In addition to the trade measures, the cabinet also announced steps designed to reduce domestic purchasing power including:

- sharp increases in the price of petroleum products;
- reduction of subsidies on many basic commodities, which will substantially increase prices of goods such as sugar and bread.

The Finance Ministry estimates that the new measures will improve the trade balance by \$700 million a year. They will also cause an immediate increase of 17 percent in the cost of living, with inflation already running at an annual rate of almost 40 percent.

There will be some grumbling among the populace, especially about the reduction of subsidies on bread and sugar, and police have already had to contend with violence in a slum district of Tel Aviv. This economic program seems likely to receive generally wide support, however, as a way to prevent further deterioration in the economic situation.



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USSR

Moscow is planning to accelerate construction of the eastern portion of the second Trans-Siberian railroad as part of a general effort to speed up development of Siberia.

[REDACTED]
[REDACTED]
[REDACTED] The Soviets are buying 700 US crawler tractors--worth \$100 million--specifically for use on the railroad project.

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The 2,000-mile line was originally scheduled to be finished by 1982. Advancing the completion date would indicate that eastern Siberia and the Soviet Far East will play an increasingly significant role in the forthcoming 15-year plan. The new route crosses a zone rich in fuel and mineral resources.

The USSR will have to lean more heavily on eastern Siberian energy resources after 1980, when oil reserves elsewhere will fall short of Soviet needs. The new railroad could be used in conjunction with pipelines and rail spurs to tap the resources of northern Siberia.

Continuing Soviet concern over the border problem with China is also a strong incentive to early completion of the railroad. The new route is 100 to 500 miles north of the present line, which is very close to the Chinese border. Both routes run through territory that China claims was seized by Russia through "unequal treaties" of the 19th century.

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NOTES

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France-PLO: At a meeting of the EC political directors late last week, the French representative announced that the secretary general of the Arab League had asked that the Palestine Liberation Organization be given observer status at EC-Arab negotiations. The French, who favor granting the Arab request, argued that the US would soon be dealing with the PLO in some fashion. Only the Italian representative supported the French proposals. The others were negative or noncommittal. The EC political directors agreed that the EC foreign ministers should consider the issue at their meeting on November 18.

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Portugal-NATO:

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USSR-Cuba: Two Soviet guided missile cruisers that have been in Cuban waters since late September have left the port of Cienfuegos and may be on their way home. They have been moving southeasterly and are probably bound for the Atlantic.

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Argentina: 

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Vietnam: The Vietnamese Communists have rejected Saigon's recent call to resume negotiations in Paris. On Saturday, the deputy chief of the Viet Cong military delegation in Saigon branded the offer a "deceptive move" to confuse public opinion. He repeated the Communist position that the Paris talks cannot resume until President Thieu is removed and the US ends its military assistance to South Vietnam.

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